

BRADLEY COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED June 30, 2010

BRADLEY COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2010

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Bradley County 911 Communications Center

Joe Wilson
Director

Management's Discussion and Analysis

Our discussion and analysis of the Bradley County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	<u>2010</u>	<u>2009</u>
Net Assets		
Current and other assets	\$ 1,853,244	\$ 1,918,585
Capital assets	<u>603,202</u>	<u>625,308</u>
Total assets	2,456,446	2,543,893
Current liabilities	(72,740)	(73,347)
Long-term liabilities	<u>(82,198)</u>	<u>-</u>
Total liabilities	<u>(154,938)</u>	<u>(73,347)</u>
Net Assets	<u>\$ 2,301,508</u>	<u>\$ 2,470,546</u>
Summary of net assets -		
Invested in capital assets	603,202	625,308
Unrestricted	<u>1,698,306</u>	<u>1,845,238</u>
Total Net Assets	<u>\$ 2,301,508</u>	<u>\$ 2,470,546</u>
Change in Net Assets		
Operating revenues	\$ 1,279,670	\$ 1,221,435
Operating expenses	<u>2,373,634</u>	<u>2,246,703</u>
Operating loss	(1,093,964)	(1,025,268)
Non-operating income	<u>924,926</u>	<u>1,091,926</u>
Change in Net Assets	(169,038)	66,658
Net Assets - beginning	<u>2,470,546</u>	<u>2,403,888</u>
Net Assets - ending	<u>\$ 2,301,508</u>	<u>\$ 2,470,546</u>

Analysis of Financial Position and Results of Operations

The District's net assets have decreased by \$169,038 over the previous year. Revenue decline was 4.70% primarily due to a one time Home Security Grant and Tower Insurance Reimbursement not received this fiscal year. Operating expenditures were up 5.35% due to the recording of postemployment health insurance expense required by governmental accounting standards and increases in dispatch salaries, health insurance, training, travel and repairs and maintenance – building.

The District's Net Assets

The District completed the year with net assets of \$2,301,508, a decrease of \$169,038 over the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to salary expenses and small equipment.

Capital Assets

At the end of the accounting period, the District had \$603,202 in capital assets such as communication and office equipment, furniture and fixtures and building and improvements. This amount represents a decrease of \$22,106 or 3.54%.

Financial Activity and Plans for Future Needs

The District continues with plans for a backup PSAP. The remote facility will involve construction or renovation of an existing structure with associated radio and phone equipment. In addition, the State of Tennessee is migrating all PSAPs toward an IP-based 911 network. This advancement will require an overhaul of the statewide 911 system as well as investments in equipment at the local PSAP.

Joseph B. Wilson, Jr.
Director

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2010

Danny Lawson, Chairman

Wes Snyder, Vice Chairman

Janice Casteel, Treasurer

Chuck Atchley, Secretary

Gary Davis, Member

Tom Rowland, Member

Connie Spencer, Member

Troy Spence, Member

Hank Hayden, Member

Dewey Woody, Member

John England, Member

Grant Pirkle, Member

Jim Ruth, Member

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bradley County "911" Emergency
Communications District

We have audited the accompanying financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2010. These financial statements are the responsibility of Bradley County "911" Emergency Communications District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bradley County "911" Emergency Communications District, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the Bradley County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3, schedules of pension plan and postemployment benefits funding progress on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bradley County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages on 21 through 23 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.

Harting Bishop & Arrendale PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
December 3, 2010

FINANCIAL SECTION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,566,312
Certificates of deposits	160,023
Accounts receivable	125,233
Accrued interest receivable	803
Prepaid expense	873
Total Current Assets	<u>1,853,244</u>

Capital Assets

Furniture and fixtures	123,873
Office equipment	70,642
Communications equipment	1,444,628
Leashold improvements	<u>70,208</u>
Total Capital Assets	1,709,351
Accumulated Depreciation	<u>(1,106,149)</u>
Capital Assets, net	<u>603,202</u>

Total Assets	<u>\$ 2,456,446</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 6,986
Accrued payroll	15,057
Compensated absences	<u>50,697</u>
Total Current Liabilities	<u>72,740</u>

Long-term Liabilities

Postemployment health benefit liabilities	<u>82,198</u>
Total Liabilities	<u>154,938</u>

Net Assets

Invested in capital assets	603,202
Unrestricted	<u>1,698,306</u>
Total Net Assets	<u>2,301,508</u>

Total Liabilities and Net Assets	<u>\$ 2,456,446</u>
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The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

OPERATING REVENUES

Emergency telephone service charge	\$ 802,091
TECB - shared wireless charge	222,339
TECB - operational funding	253,211
Other operating revenues	<u>2,029</u>
Total Operating Revenues	<u>1,279,670</u>

OPERATING EXPENSES

Salaries and Wages	
Director	71,625
Administrative personnel	208,552
Dispatchers	799,366
Overtime	37,904
Bonuses	3,573
Supplemental pay	4,510
Longevity pay	6,900
Sold vacation pay	9,083
College pay	<u>1,030</u>
Total Salaries and Wages	<u>1,142,543</u>

Employee Benefits	
Social security	83,460
Life insurance	12,626
Medical insurance	171,239
Dental insurance	11,654
Unemployment compensation	4,516
Retirement compensation	111,890
Other fringe benefits	5,878
Postemployment health benefit expense	<u>82,198</u>
Total Employee Benefits	<u>483,461</u>

Contracted Services	
Advertising	466
Audit services	8,000
Administrative fees - service charge	87,849
Fees paid to service providers	72,998
Impact payments	91,250
Janitorial services	8,112
Legal services	8,880
NCIC/TBI/TIES expenses	10,175

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

(continued from previous page)

Lease/Rental - buildings and facilities	\$ 1,548
Maintenance and repairs - communications equipment	150,989
Maintenance and repairs - buildings and facilities	17,922
Maintenance and repairs - office equipment	<u>9,370</u>
Total Contracted Services	<u>467,559</u>
Supplies and Materials	
Office supplies	14,774
Custodial supplies	3,692
Postage	993
Small equipment purchases	7,504
Uniforms and shirts	4,563
Utilities - electric	20,196
Utilities - general telephone	14,378
Utilities - cell phone and pagers	<u>14,182</u>
Total Supplies and Materials	<u>80,282</u>
Other Charges	
Board meeting expenses	8,643
Dues and memberships	2,342
Employee testing and exams	6,859
Insurance - workers compensation	5,568
Insurance - liability	12,152
Insurance - buildings and content	2,268
Insurance - equipment	391
License and fees	257
Premiums on surety bonds	1,840
Service awards	372
Training expense	28,980
Travel expenses	32,979
Other charges	<u>2,093</u>
Total Other Charges	<u>104,744</u>
Depreciation	
Depreciation Expense	<u>95,045</u>
Total Depreciation	<u>95,045</u>
Total Operating Expenses	<u>2,373,634</u>
Operating Loss	<u>(1,093,964)</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

(continued from previous page)

NON-OPERATING REVENUES

Interest income	\$ 5,836
Contributions from primary government	900,000
Contributions from other governments and agencies	9,090
TECB - grants and reimbursements	<u>10,000</u>
Non-Operating Revenue	<u>924,926</u>
 Net Loss	 (169,038)
 Net Assets, beginning	 <u>2,470,546</u>
 Net Assets, ending	 <u>\$ 2,301,508</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash Flows from Operating Activities	
Cash received from surcharges and other revenues	\$ 1,328,159
Cash payments to suppliers for goods and services	(662,761)
Cash payments for payroll, taxes and related benefits	<u>(1,531,552)</u>
Net Cash Used by Operating Activities	<u>(866,154)</u>
Cash Flows from Noncapital Financial Activities	
Grants / Reimbursements TECB	10,000
Contributions from primary government	900,000
Contributions from other governments	<u>9,090</u>
Net Cash Provided by Noncapital Financing Activities	<u>919,090</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	<u>(72,940)</u>
Net Cashed Used by Capital and Related Financing Activities	<u>(72,940)</u>
Cash Flows from Investing Activities	
Purchases of certificates of deposit	(4,229)
Interest income received	<u>5,960</u>
Net Cash Provided by Investing Activities	<u>1,731</u>
Net Decrease in Cash and Cash Equivalents	(18,273)
Cash and Cash Equivalents at Beginning of Year	<u>1,584,585</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,566,312</u></u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating loss	\$ (1,093,964)
Adjustments to reconcile net income (loss) to net cash	
provided (used) by operating activities	
Depreciation expense	95,045
Change in assets and liabilities:	
Decrease in receivables	48,489
Decrease in accounts payable	(7,823)
Increase in accrued payroll	4,905
Increase in compensated absences	2,311
Decrease in prepaid expenses	2,685
Increase in postemployment health benefit liabilities	<u>82,198</u>
Net Cash Used by Operating Activities	<u>\$ (866,154)</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge. On July 1, 2001, the Cleveland/Bradley Communications Center and the Bradley County "911" Emergency Communications District, each originally created to serve such functions, merged to form one emergency communication entity. The District is an agency of the City of Cleveland, the City of Charleston, and Bradley County, Tennessee, from which it receives additional revenues.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Bradley County "911" Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The District generally capitalizes assets with a cost of \$500 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and fixtures	5-10
Office Equipment	5-10
Communication equipment	5-10
Leasehold improvements	5-10

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - Summary of Significant Accounting Policies (continued)

Joint Venture

Bradley County "911" Emergency Communications District is a joint venture between Bradley County, Tennessee and the Cities of Cleveland and Charleston, Tennessee. The District assists emergency service agencies in the saving of lives, protection of property, and swift apprehension of criminals for all citizens of Bradley County. The board consists of ten ex-officio members including: the County Mayor, the City of Cleveland Mayor, the City of Charleston Police Chief, the County Sheriff, the Cleveland Police Chief, the Cleveland Fire Chief, the Director of Emergency Medical Services, the Director of the Emergency Management Agency, Cleveland City Manager and Bradley County Fire Chief, along with three persons appointed by the County Mayor with the approval of the County Commission and the City of Cleveland Council.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Up to thirty days vacation may be carried forward into the following calendar year. Any excess accumulated vacation days are converted to sick leave. Each employee also has the option annually to convert up to 5 unused vacation days to cash. After one year of service, employees are entitled to their accrued vacation leave upon termination of service. Compensated absences are reported as accrued in the District's financial statements.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2010 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool. A schedule of cash and investments classified by category of credit risk at June 30, 2010 is as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - Cash on Deposit (continued)

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 250,000	\$ 250,000
Cash, collateralized by the State of TN Bank Collateral Pool	1,316,262	1,392,566
Certificates of Deposit, insured by FDIC	160,023	160,023
Petty Cash	50	50
Total	<u>\$ 1,726,335</u>	<u>\$ 1,802,639</u>

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2010.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2009	Additions	Retirements	June 30, 2010	Accumulated Depreciation June 30, 2010
Furniture and fixtures	\$ 119,553	\$ 4,320	\$ -	\$ 123,873	\$ 343,284
Office equipment	111,238	10,612	(51,208)	70,642	38,708
Communications equipment	1,987,620	36,788	(579,780)	1,444,628	681,235
Leasehold improvements	48,988	21,220	-	70,208	42,922
Total	<u>\$ 2,267,399</u>	<u>\$ 72,940</u>	<u>\$ (630,988)</u>	<u>\$ 1,709,351</u>	<u>\$ 1,106,149</u>

Provision for depreciation totaled \$95,045 for the year ended June 30, 2010.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 - Lease Commitments

The District leases the land on which the communications center is located from Cleveland Utilities. The lease agreement provides that the annual rental shall be in the amount of \$1 per year payable in advance. The term of the lease, which originated October 25, 1996, is for a period of twenty years. The District has the option to renew the lease for one additional period of twenty years under the same terms and conditions as the original lease.

NOTE 8 - Impact Payments

The building used as the communications center for the District is owned by the City of Cleveland, Tennessee. The City issued bonds in the amount of \$1.1 million to finance the construction of the communications center and purchase of necessary equipment. Under the terms of the bond resolution, the City must own the building. The District will make impact payments to the City in the amount of the annual debt service requirements on the bonds. Impact payments for the year ended June 30, 2010 totaled \$91,250.

NOTE 9 - Retirement Plan

Plan Description

Employees of Bradley County "911" Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bradley County "911" Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at<http://www.treasury.state.tn.us/tcrs/PS/>.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 - Retirement Plan (continued)

Funding Policy

Bradley County "911" Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Bradley County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 11.35% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradley County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, Bradley County "911" Emergency Communications District's annual pension cost of \$111,927 to TCRS was equal to Bradley County "911" Emergency Communications District required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Bradley County "911" Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 10 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$111,927	100.00%	\$0.00
June 30, 2009	\$119,264	100.00%	\$0.00
June 30, 2008	\$98,935	100.00%	\$0.00

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 - Retirement Plan (continued)

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 64.24% perfect funded. The actuarial accrued liability for benefits was \$1,502,000, and the actuarial value of assets was \$965,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$537,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,018,000, and the ratio of the UAAL to the covered payroll was 52.77% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2007	\$736	\$1,052	\$316	69.96%	\$1,028	30.74%
July 01, 2009	\$965	\$1,502	\$537	64.24%	\$1,018	52.77%

NOTE 10 - Postemployment benefits

In June 2004, The Governmental Accounting Standards Board issued Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45's objective is to establish standards for the measurement, recognition, and display of post-employment benefit expenses, related liabilities, note disclosures, and required supplementary information. GASB 45 does not require funding of plan benefits. The requirements of GASB 45 are effective in three phases based on a government's total annual revenues. The District is required to implement GASB 45 in the year ended June 30, 2010. GASB 45 is being implemented prospectively with a zero net OPEB obligation at transition.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – Postemployment benefits (continued)

Plan Description

The District provides postretirement medical, dental and life insurance benefits to employees who retire from the District with 25 years of service, or age 55 with 10 years of service. Medical benefits are provided using a point of service (POS) plan through CIGNA. Dental benefits are provided using a preferred provider organization (PPO) through Blue Cross/Blue Shield. Boston Mutual Life Insurance provides life insurance benefits. The following schedule applies to employees with over 10 years of service. If the retiree has family coverage the District will pay half the difference between the cost of the family plan and the cost of the individual plan.

<u>Years of Service At Retirement</u>	<u>Percentage of Premium Paid by Participant</u>
<15	100.00%
15	50.00%
16	46.67%
17	40.33%
18	40.00%
19	36.67%
20	33.33%
21	30.00%
22	26.67%
23	23.33%
24	20.00%
25	16.67%
26	13.33%
27	10.00%
28	6.67%
29	3.33%
30+	0.00%

Funding Policy and Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Districts annual OPEB cost for the current year are as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

NOTE 10 – Postemployment benefits (continued)

Annual Required Contribution (ARC)	\$ 86,502
Interest on net OPEB obligation	0
Adjust to annual required contribution	0
Annual OPEB cost (expense)	\$ 86,502
Contribution made	(4,304)
Increase in net OPEB obligation	\$ 82,198
Net OPEB obligation – June 30, 2007	0
Net OPEB obligation – June 30, 2008	\$ 82,198

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation for 2010 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$86,502	5.0%	\$82,198

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 631,955
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$ 631,955
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,142,543
UAAL as a percentage of covered payroll	53.31%

Actuarial Methods and Assumptions

In the July 1, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% funding interest rate. The 2009 medical cost trend rate used was 9% with an ultimate medical cost trend rate of 5% projected to be reached in 2012. The annual payroll growth rate is assumed to be 2.5%. The remaining amortization period for the unlimited actuarial accrued liability as of June 30, 2010 is 29 years.

SUPPLEMENTARY INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGET COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>OPERATING REVENUES</u>			
Emergency telephone service charge	\$ 802,091	\$ 860,000	\$ 57,909
TECB - shared wireless charge	222,339	223,000	661
TECB - operational funding	253,211	249,000	(4,211)
Other operating revenues	2,029	-	(2,029)
Total Operating Revenues	<u>1,279,670</u>	<u>1,332,000</u>	<u>52,330</u>
<u>OPERATING EXPENSES</u>			
<u>Salaries and Wages</u>			
Director	71,625	74,050	2,425
Administrative personnel	208,552	238,080	29,528
Dispatchers	799,366	950,000	150,634
Overtime	37,904	44,000	6,096
Bonuses	3,573	3,800	227
Supplemental pay	4,510	5,000	490
Longevity pay	6,900	10,000	3,100
Sold vacation pay	9,083	7,000	(2,083)
College pay	1,030	2,000	970
Total Salaries and Wages	<u>1,142,543</u>	<u>1,333,930</u>	<u>191,387</u>
<u>Employee Benefits</u>			
Social security	83,460	101,750	18,290
Life insurance	12,626	16,700	4,074
Medical insurance	171,239	206,000	34,761
Dental insurance	11,654	15,500	3,846
Unemployment compensation	4,516	5,000	484
Retirement compensation	111,890	124,850	12,960
Other fringe benefits	5,878	11,650	5,772
Postemployment health benefit expense	82,198	-	(82,198)
Total Employee Benefits	<u>483,461</u>	<u>481,450</u>	<u>(2,011)</u>
<u>Contracted Services</u>			
Advertising	466	1,500	1,034
Audit services	8,000	8,000	-
Administrative fees - service charge	87,849	99,000	11,151
Fees paid to service providers	72,998	80,000	7,002

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

BUDGET COMPARISON SCHEDULE

For the Year Ended June 30, 2010

(continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Contracted Services (continued)</u>			
Impact payments	91,250	92,000	750
Janitorial services	8,112	10,000	1,888
Legal services	8,880	9,000	120
NCIC/TBI/TIES expenses	10,175	11,500	1,325
Pest Control	-	500	500
Lease/Rental - buildings & facilities	1,548	2,950	1,402
Maint and repairs - comm equip	150,989	180,800	29,811
Maint and repairs - bldg & facility	17,922	38,125	20,203
Maint and repairs - office equip	9,370	11,250	1,880
Total Contracted Services	467,559	544,625	77,066
<u>Supplies and Materials</u>			
Office supplies	14,774	19,800	5,026
Custodial supplies	3,692	4,000	308
Postage	993	1,300	307
Small equipment purchases	7,504	47,250	39,746
Uniforms and shirts	4,563	8,000	3,437
Utilities - electric	20,196	21,700	1,504
Utilities - general telephone	14,378	16,500	2,122
Utilities - cell phone and pagers	14,182	14,550	368
Total Supplies and Materials	80,282	133,100	52,818
<u>Other Charges</u>			
Board meeting expenses	8,643	10,000	1,357
Dues and memberships	2,342	2,400	58
Employee testing and exams	6,859	7,500	641
Insurance - workers compensation	5,568	6,000	432
Insurance - liability	12,152	12,200	48
Insurance - buildings and content	2,268	3,500	1,232
Insurance - equipment	391	400	9
Licenses and fees	257	440	183
Premiums on surety bonds	1,840	2,000	160
Service awards	372	500	128
Training expense	28,980	33,500	4,520
Travel expenses	32,979	34,500	1,521
Other charges	2,093	2,500	407
Total Other Charges	104,744	115,440	10,696

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGET COMPARISON SCHEDULE
 For the Year Ended June 30, 2010
 (continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Depreciation</u>			
Depreciation expense	95,045	162,000	66,955
Total Depreciation	95,045	162,000	66,955
 Total Operating Expenses	 2,373,634	 2,770,545	 396,911
 Operating Loss	 (1,093,964)	 (1,438,545)	 344,581
 <u>NON-OPERATING REVENUES</u>			
Interest income	5,836	5,825	(11)
Contributions from primary government	900,000	900,000	-
Contributions from other governments	9,090	9,090	-
TECB - grants and reimbursements	10,000	10,000	-
Non-Operating Revenue	924,926	924,915	(11)
 Net (Loss)	 \$ (169,038)	 \$ (513,630)	 \$ 344,592

The accompanying notes are an integral part of this financial statement.

REQUIRED SUPPLEMENTARY
INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULES OF PENSION PLAN AND POSTEMPLOYMENT
BENEFITS FUNDING PROGRESS
June 30, 2010

Pension Plan

(Dollar amounts in thousands)						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2007	\$736	\$1,052	\$316	69.96%	\$1,028	30.74%
July 01, 2009	\$965	\$1,502	\$537	64.24%	\$1,018	52.77%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

Postemployment Benefits

(Dollar amounts in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/09	\$0	\$632	\$632	0.00%	\$1,143	55.29%

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER
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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bradley County "911" Emergency Communications District

We have audited the financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2010 and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bradley County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bradley County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

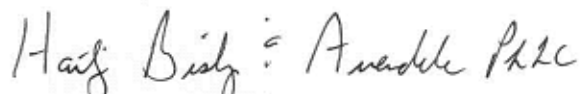
Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item: 2010-1.

Bradley County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Harting Bishop & Arrendale PLLC".

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
December 3, 2010

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2010

The findings and recommendations as a result of the audit of the Bradley County "911" Emergency Communications District are presented below.

2010-1: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one year end budget amendment that was approved by the finance committee, however, the amendment was not presented to the Board for approval. This was an oversight that resulted in the sold vacation pay line item being in excess of the budget. The District also had to implement GASB 45 for fiscal year ended June 30, 2010. The actuarial report was not received until November 2010 and the postemployment health benefit expense was not known and not budgeted for resulting in this line item being in excess of budget.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditor's findings and recommendations and have implemented budget procedures to ensure expenditures are budgeted and budgets are properly amended.